



REMARKS FOR

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U.S. SMALL BUSINESS ADMINISTRATION

DELIVERED AT THE

NATIONAL ASSOCIATION OF GOVERNMENT GUARANTEED
LENDERS
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Thanks for that warm introduction, Tony, and thank you for your outstanding leadership here at the NAGGL for so many years. I had a chance to spend time with Tony and your Board last night and was reminded by how many of you I already know, and what a great partnership we have built.

After 24 years in business and only 4 months in government, let me just say it is good to be here with you all. I grew up professionally in and around the banking world as an investment banker, an investor, and a CFO, so we speak the same language and I think I understand the issues you face each day.

Let me start right off by saying I am grateful for what you all have done on behalf of your customers, and what we have been able to do together for this Nation's small business community.

Extending capital to small businesses is potentially the most enabling and impactful service that the SBA provides America's entrepreneurs. As *you* know, liquidity to a new or expanding business is like oxygen.

Lenders provide approximately \$600 billion in credit to small businesses and the SBA helps you all reach just that much further in extending this critical capital.

So, I have made a point to hold a number of forums to meet lenders, to hear your views, to understand your concerns, and—I hope—to engage you in a compelling vision for our partnership, because what we do together is so essential.

In his first inaugural address, President George W. Bush said:

*“We have a place, all of us, in a long story – a story we continue,
but whose end we will not see.....*

That story, ladies and gentlemen, is the story of America. A great and powerful story that has survived many challenges....seen many victories.... overcome much adversity.....and built a great Nation.

The U.S. Small Business Administration and its partners are a part of that story.

We are an agency that trains and counsels millions of small businesses, supports more than \$75 billion in loans and investments, and facilitates \$80 billion in federal procurement activities for small businesses. And while we have a team of dedicated professionals around the country whose mission it is to serve small businesses, we don’t do it on our own and could not do it on our own.

We have thousands of partners in our delivery network; our partners are the Agency’s face to the customer—they’re counselors, bankers, and investors. And they include every member of NAGGL. And these partnerships are showing strong results.

We just announced another record year in our lending programs—we, standing along side of you, extended over \$19 billion in new financing to over 100,000 small businesses in fiscal year 2006. In FY '06, our SBIC partners invested almost \$3 billion in over 2,000 small businesses. In just about every category....we have exceeded the past.

But it is not the end of our story.

Our work is so important because, America's small businesses are the heart and soul of the American economy and the American way of life. It's a particular pleasure to be with you today because you understand the value of small businesses to the health and well-being of our nation and its economy.

- Small businesses represent 99.7 - percent of all employer firms
- They employ half of all private sector employees
- They create more than 50-percent of non-farm private gross domestic product

These statistics may seem a bit abstract – until you put yourself in the shoes of an American worker filling one of the 6.6 million new jobs created since August 2003—more jobs, in fact, than were created in all the other major industrialized countries combined.

Our economy has now added jobs for 37 straight months. And this story is echoed throughout our country—48 of 50 states have experienced job growth over the last year.

Where did they all come from? *Small businesses have generated approximately 70-percent of all net new jobs annually over the last decade.*

Several months after the President's first inauguration—in the summer of 2001—he announced an aggressive strategy to improve the management and performance of the Federal government, and help it adapt to a rapidly changing world by making it more citizen-centered, results-oriented and market-based.

This initiative is called the President's Management Agenda, or PMA.

Part of our roadmap at the SBA to support the PMA includes both operating this Agency more efficiently and effectively as well as clarifying our mission to serve America's small businesses and disaster victims.

And in clarifying that mission, we need to ensure that our products, our processes, and our partners are aligned in advancing that mission.

Over the last three months, I have spent a lot of time listening to our employees, our legislators, trade associations, our partners, and most importantly, directly to our customers.

And I have come to the simple conclusion that some of the most important progress we can make is in applying good solid business principles to the work we do – much as you deal with every day in your business.

Yesterday, many of you heard Mike Hager talk about our four pillars—four basic questions I ask myself and our people every day as we look to how we can best serve.

First, are we driving the right outcomes? What results are we driving for and are those results we should be most focused on? For example, are we focused on only increasing the number of loans we make, or are we focused on driving capital to the businesses or areas of our country where we can have the greatest impact.

Second, are we customer focused in what we are doing? We need to be easy for people to do business with us. We may have the greatest programs in the world, but if they are too difficult to work with, it will smother our effectiveness....and diminish our impact.

Third, are we enabling our employees to extend the hand of service to our customers? If we are not providing tools, training and a positive work environment that encourages excellence, we will not be effective.

Finally, are we running a tight ship? We need to be accountable, efficient and transparent in all that we do. In summary—four basic concepts:

- Outcomes Driven
- Customer Focused
- Employee Enabled, and
- Accountable, Efficient and Transparent

Let me give you an example of how we are applying these principles at the SBA. Some of you may realize that the SBA provides disaster loans both to small businesses and to homeowners.

Following the hurricanes that struck our country last year, the SBA responded by approving more than \$10 billion in low-interest disaster loans to approximately 160,000 businesses, homeowners and renters. Two months ago, only \$2.5 billion of that amount was disbursed.

Every day that a loan disbursement is delayed is a day that someone hasn't got his or her life back. We all pray that we will never see another Katrina.

But we need to make sure that we take lessons from Katrina – and put the processes in place so that we can respond to disasters, irrespective of the scale.

Our people care about this. I care about this. And I can promise you, our President cares very deeply about this. Frankly, one of the reasons I accepted this role is because I, like most Americans, watched the stories, sent money, and just wished I could do more.

What have we done about it? We started by spending time in the Gulf and listening to our customers tell their stories. What did they tell us?

First, every time they called, they talked with someone different, which meant that they often had to reeducate our people, and sometimes they got conflicting stories. *Second*, people often had to send us the same information more than once before it got to the right place. *Finally*, we were way too slow in responding.

In late August, we took what we learned to a three day off-site meeting where we assembled leaders from our disaster operations, talent from our Washington operation and external process design experts, and began to lay out a vision, backed by detailed process redesign initiatives to finish the Katrina job quickly, and to ensure that we drive that operation to a higher standard than ever before.

- We have entirely redesigned our work processes
- We moved 1,300 people from a production line to case-management teams and gave borrowers a single point of contact
- We called all 90,000 outstanding customers—some of them twice—to make sure we understand their status and what we each need to do to get the job done.
- We've doubled our production in the last month, and we will soon be caught up with the backlog.
- And because of our relationship with those customers, we are beginning to work to solve their problems outside the agency.

I started my talk about partnership. Here is an area where we and America's banks could come together. To serve the needs of our countrymen in their time of most dire need. We do not have today a viable solution to leverage the vast capacity of the private sector to handle the surge of demand if Katrina II hits.

There are some ideas floating around on how to be more responsive to small businesses, which I think can be helpful. But the real challenge is serving the home owner—they generate the volume.

Today, we have a lot of capacity, because we have 3,500 people in our disaster operation. Normally we operate at a fraction of that level which is where we may find ourselves in the next couple of years.

Your systems capacity, your geographic presence, and the expertise and processes within your networks may well provide the best solutions to helping get funding into peoples' hands quickly following a catastrophic disaster.

Another opportunity for a stronger partnership is in serving communities in need. I am talking about our rural communities....our inner city neighborhoods....and markets undergoing dramatic change.

Some of you do tremendous work in this area. Small business creation and growth may be the best and most sustainable vehicle we have for rejuvenating communities in our country—and in the process, improving peoples' lives.

Small businesses are risk takers. They are resilient. They are resourceful and driven. And when they succeed, we see the face of communities change. We see opportunity for Americans created and an overall improvement in their quality of life.

But they need our help, and I believe we need to be more focused in extending that help.

- We need to ensure our products serve the need in these markets.
We need to ensure capital is available.
- We need to ensure that capital is available to viable entrepreneurs, and that they have the training and counseling they need to succeed.

- We need to be more effective in coordinating other resources that are available publicly and privately to support budding and blossoming entrepreneurs in these markets.

I believe that small businesses may be our country's strongest bridge to opportunity for Americans of all backgrounds – and for that reason, it should be the goal of our economic policy and our programs to keep that bridge open, expansive and sturdy.

And finally, we need your partnership in understanding what we can do to help enable *you* in supporting America's small businesses.

- How can we simplify our processes?
- How can we provide better lender support?
- How can we more clearly define our programs to engage you more fully?

I have given my team a challenge—to increase our loan volume run rate 15-percent by the end of fiscal 2007 by focusing on two areas.

First, by improving the effectiveness of our products and processes. By being more focused on what our customers and partners need from us to do business, and by being easier to do business with, I believe we will see a greater “pull” for the support we can provide small businesses.

The *second* area is a greater focus on underserved markets. It goes back to our first pillar—of being outcome driven, and presumes we become more effective in reaching communities that can benefit the most from our services.

The remarkable engine of entrepreneurship is essential to the well-being of our country, and I believe, can be unleashed for greater impact in underserved markets. It thrives because a culture of innovation and ownership is deeply ingrained in our spirit, and our way of life.

The men and women of the SBA have the honor, the privilege, and the responsibility of working with you and being involved in very special ways to help enable that engine to reach its potential.

At the beginning of my remarks I shared with you part of a quote from President Bush's first inaugural address—about a *“story that we continue, but whose end we will not see.”*

Here's more of that quote:

“We are not this story's author, who fills time and eternity with his purpose. Yet his purpose is achieved in our duty, and our duty is fulfilled in service to one another.... This work continues. This story goes on.....”

We have a tremendous opportunity at the SBA to accept this call to service, and to continue this story in a way that leads to a greater contribution to America's entrepreneurs, its disaster victims, and ultimately, America's communities.

And in doing so, the legacy we leave will be in the stories of every American we reach out and touch—today, tomorrow, and for many years to come.

In closing, I would like to thank you for having me. Thank you for your partnership and your service to America's small businesses. And thank you, in advance, for the good work we will undertake together, in continuing this remarkable story.

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